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Suggestions for strategies to win the war on poverty are based on an understanding of what poverty is, how it is to be fought, and the meaning of losing the war.

There have been many definitions of poverty, for individuals differ in their values and their ideas of need. Subjective estimates of need depend on whether the estimator is rich or poor, thrifty or lax, materialistic or idealistic. From such differences stem varied estimates of the number of poor in the United States which range between 20 and 70 million. Disagreement also arises on whether there are more or less poor now than formerly. The poor may also be defined as constituting some part of the bottom of the income distribution, but income distribution is a derived aspect of poverty rather than its cause.

To plan and carry out policies effectively, people with high chances of being poor should be identified. In one study, a measure was developed showing the relationship between possession of a given characteristic and the likelihood of having an income below a certain level. It was found that the possibility that a person possessing one of the characteristics studied would be poor increased in the period from 1947 to 1964. Expansion or contraction in the economy had little effect on the risk of poverty.

Policies aimed at economic improvement of the total society, which presuppose that the poor will also be helped, are ineffective in improving the lot of the poor. Because poor people lack the personal assets which produce income, what is required to help them is an investment in human capital. Poverty can only be eliminated by paying attention to education, civil rights, health, housing, job retraining, slum abatement, and other efforts to enrich human beings.

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THE STRATEGY AND POLITICAL ECONOMY OF THE WAR AGAINST POVERTY

by

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U. S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
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We live in a rich society and the United States of the 1960s is rightly viewed, the world over, as the model of an affluent society. Yet poverty persists and many are left untouched by the general upward movement of our economy. Recent history and the permanence of a large number of poor have shattered our belief that a sufficient enlargement of the economic pie will do away with most poverty. Having heard so much of the problems of poverty and development of the society of others, we are shocked and confused at discovering our own.

The call to do away with poverty, "here and now," is loud and clear. President Johnson's State of the Union Message is a declaration of war on poverty, in line with America's broadest and best values. Yet victory in this war calls for more than the conviction that we are doing the right thing and the knowledge that our economy can afford to do away with poverty. As doing away with poverty will require voter approval and support in changing levels and types of public expenditures this war will also require broad public support and an emotional an intellectual committment to battle and victory.

The necessary committment can be achieved only through spreading the understanding of what poverty is, how it is to be fought and of what not winning this war might mean. At this point there is no agreement in the country as to a definition of poverty, as to the size of the problem or as to actions to be taken. In Washington, the State Capitols and in the City Halls debate is rampant on priorities and methods. Programs alledgedly meant to do away with poverty and those labelling as helping "all of society" are pitted against each other and against fiscal and monetary efforts aimed at insuring higher rates of economic growth. Perceptions of poverty and the hard facts of poverty appear to be in conflict. Rural poverty as a condition of particular localities is overemphasized while the extent to which it is actually an urban and metropolitan phenomenon and the problem of special groups has been underplayed.

Traditionally, poverty has been considered to be the condition of persons whose resources have been insufficient to satisfy minimum needs. He who is the poor is found to be the individual living below "minimum subsistence", the individual who does not live "adequately" or who lives in "deprivation." But, having agreed that nobody should live below subsistence or that nobody should be deprived we see, as a nation, unable to agree as to what subsistence or adequacy means.

Individuals differ with respect to their ideas of need, their feeling of justice, their values. Their subjective estimates of need will differ according to whether they are themselves poor or not poor, thrifty or lax, interested in things or ideas, conversant with or ignorant of the lives of the poor. Their explicit and even more so, their implicit notions about the workings of the economy and the society become crucially important. They will view levels of poverty as unacceptable depending on whether they are, by training economists, sociologists or engineers; whether they were trained at Harvard or Chicago; whether "survival of the fittest" sums up their social outlook or whether they perceive themselves as their "brother's keeper."

From such differences in judgment stems the many recent and varied estimates of the number of poor in the United States. The figure 30 million has been receiving increasing currency and it is a good one. Yet, the various statistical studies recently prepared for 1960, the last census year with very detailed data, estimate the poor variously, as between 20 and 70 million.

There is also disagreement as to whether there are now more or less poor than in the past. Here different judgments as to how the comparisons are to be made explains the differences. Should the standards of the past be taken as a guide and, having corrected for changes in the value of the dollar, applied

to the present? Or, should the opposite be done and current standards be deflated and the extent of poverty of the past so measured? By taking past standards that go back far enough we are bound to find that there are no poor today. Conversely, by taking present standards and projecting them backwards we would find, for instance, the Roosevelt's, "one third of a nation" would be more likely one half of the nation. Either exercise tells us more about changing standards than about the number of the poor. If comparisons are to be made they must be made in terms of contemporary standards and what needs to be measured is the number considered as living, say "below adequacy" by 1947 standards of adequacy and compared with the number of those living "below adequacy" by 1960 standards. When this is done, we find that the poor, living "below adequacy" and minimum comfort levels has not changed very much. The story is different when abject poverty is involved. Here, when the number of poor, living at or below minimum subsistence in 1947 and 1960 are compared, the proportion decreased from 15% to 11% while their number moved only from 21 to 20 million.

It is also argued that the poor are still with us, so to speak, by definition. If we define the poor as making up some part of the bottom of the income distribution, some kind of lower fifth, eighth, tenth or whatever fraction you will, their eternal permanence is guaranteed. To develop a strategy to fight against poverty the problems of income distribution must be separated from those of poverty. Not that policy concern with income distribution is not important, nor can we forget, as I understand the work of Herman Miller will show conclusively, that income distribution has recently become even less egalitarian but rather, that income distribution is to be kept what it is; namely, a derived aspect of poverty rather than, so to speak, its definitional cause.

The slope of the line tracing the income distribution becomes unimportant when throughout it is located above socially determined standards of sufficiency.

Both as far as standards and numbers, in studying poverty and in mobilizing opinion for anti-poverty action what is important and significant are not the changes but the lack of change. To note that for many in America the conditions of prewar years have disappeared is of no more use than to note to the man working in a poorly lit room that a hundred years ago the very rich also worked by candle-light.

To decide on policies and to carry them out effictively it is important to identify the characteristics of individuals whose chances of being poor are particularly high. For most of the history of the United States, poverty was the fate of a large part of the population. The old and the young, man and woman, farmer and city dweller, black and white, North and South, all shared in the national insufficiency; for some the risk of poverty was greater but not much greater. The postwar situation is quite another story. As the overall impact of poverty lessened, poverty became increasingly a burden carried by select individuals. In the United States of the 1960s, poverty is most usefully viewed as the problem of certain specific people whose personal, social, demographic characteristics must in some way be altered, lest they be assured of being poor.

In our own study for the Twentieth Century Fund we have developed a relatively simple measure of the association between the possession of a given characteristic and having incomes below certain specific levels. This permits us to make year to year comparisions for a given characteristic and among characteristics. Coefficients for several characteristics for families and for six characteristics for individuals were calculated for the postwar years for which data was available. I can report here, only on the major findings:

First, except for the characteristic male head of family over 65, the risk of being poor for the characteristic studied has increased from 1947 to date.

Second, the risk of poverty has remained relatively untouched by the "ups and downs" of the economy. Expansion did not reduce the risk of poverty nor did contractions increase it by very much.

Our tools of analysis are far from delicate and whatever conceptual clarity we have striven for is obscured by the roughness of the data. Yet one conclusion is inescapable: an anticiclical growth policy, no matter how aggressively waged, is not enough.

What is crucially different about our high income economy is the fact that high rates of economic growth do not do away with poverty. Similarly, it is by now clear that significant rates of economic growth can be achieved without proportionate increase in the employment of human beings. We also know that even greater than historical rates of expansion in employment does not necessarily mean decreases in poverty.

In this light, debate as to the relative contribution to the doing away with poverty of aggressively pursued monetary and fiscal policy leading to full employement as constrasted to the contribution of large expenditures on housing, health, education, welfare, etc. is fatuous at best. Obviously, both are required. It is useless to rely on the multiplier effect of even massive governmental spending if the current poverty cannot be blamed on non-existent deficiency in aggregate demand. Nor can the blame be placed fully on the timidity of our monetary authorities or the willingness of Congress to amend the fiscal structure or reduce the tax rate when, even were we to grant that achieving full employment means doing away with poverty, achieving full employment calls for a rate of growth of about 10 percent per year sustained at least until 1975. This means that in spite of the very large number of poor, poverty cannot be viewed as a mass phenomenon. Policies aimed at the economic improvement of the

total society and believed therefore, to help the poor are of very limited use in the fight against poverty.

High levels of economic growth are the prerequisite; the necessary but not sufficient condition to do away with poverty. For the latter we need specific focused action. Poverty has obviously a geographic dimension. Thus, Southerners and those who live in Apalachia have a greater risk of being poor. But the locational notion of poverty is of limited use for policy. The notion of pockets of poverty is helpful only as it locates the area of action. But the cause is not the location. Certain areas have a larger number of poor in them as they have a higher proportion of their population with those personal traits that link the individual to poverty.

From the work on poverty that has been "seeing the light" recently, from our own identification of the poverty-linked characteristics, from the work of others on this podium and in this room, we know that, in the strictest sense of the word, the poor of today are the underendowed. "Underprivileged" has long been a fashionable word as it seemed to offend less than the crasser one; "poor", and it meant underendowed. On the whole, until we became a truly affluent society, the word was an inappropriate euphenism. Now it fits. It means less endowed and less able to participate. Indeed, the poor are out of the main stream of America. The underprivileged are not of, even though they are in, the market society. They sit outside - Harrington called them "invisible" - marginal sellers and not very good buyers. Yet, more buyers than sellers as transfer payments fill the gap and avoid, or at least postpone, decreases in aggregate demand. Often they are physical or mental invalids. They are economic invalids not exploited by exploiters; their income is greater rather than smaller than their marginal contribution. Their lesser incomes linked to their smaller endowments. What makes the poor of the affluent society different is more than anything else, the fact

that they lack the personal assets which produce income. That the culture of the poor has its own vitality and in many aspects may be worthy of imitation, need not be gain said in the recognition that they are deprived of precisely those assets which, in the "here and now", makes it possible for them not to be poor.

What is required thus, is the enlargement of the personal patrimony with which the poor can face the labor market successfully.

Studying the causes of lagging rates of economic growth, economists and other social scientists have been puzzled by rates of output and growth, larger than observed increases in measure capital investment. The solution of the puzzle seems to be in the contribution to economic growth of individual human assets. While talk of investment in human capital is relatively recent it is not a new idea. What is new is only the terminology and the econometric method applied. As we have learned that the growth patterns of various societies reflects different rates of investment in human beings, we can conclude that given a high income economy, different rates of investments in human beings determines who in that society is and who is not poor.

There is little doubt in my mind that poverty in America will be done away with by mobilizing the community to the notion that human beings must be enriched by a series of specific expenditures on education, health, housing, mental health and so on.

Poverty will be eliminated primarily by energetic action along the lines on which we are already working - education, civil rights, retraining, slum abatement and the rest.

I wonder if, in the few minutes left of my time, we cannot consider one specific form of investment in human beings.

To the best of my knowledge, the world over, irrespective of economic conditions, the healthy, the happy, the well educated and the well brought up child never ends up poor. Why don't we take the census tracts of the 133 Standard Metropolitan Statistical Areas, select in each the three poorest tracts and place in each of them the least three of the very best child care centers that our knowledge can devise. Let us set up and equip, or re-equip, day care centers with a truly excellent and comprehensive plant to which children between the ages of two and twelve living in families - or with mothers - earning less than $5,000 per year can come and stay from early morning to late evening. Let us provide these children with the best in medical care, with wholesome food, with a good nursery and with a school that will stimulate them with faith and prepare them to face the world. These day care centers can provide them with the health and the higher horizons that the deprived environment of their homes is denying them.

The construction part of this kind of investment will provide employment in areas which most need it. The centers will also provide employment and serve as a training center for occupations such as nurses, teachers, dietitians, therapists, guidance counselors, all occupations in short supply. Further, it might free mothers to go to work and, if necessary, to get themselves retrained.

What I am proposing is neither aid to education nor federal intervention as these day care centers could be financed by a multiplicity of sources and through many jurisdictions. What I am proposing is a frontal attack on poverty by what I judge could be the best and fastest single step that could be taken to reduce future poverty. Can anyone argue that in our society youngsters brought up in such facilities will share the fate of their parents?